

6-1-2007

## Fiscal News, June 2007

Maine State Legislature

Office of Fiscal and Program Review

Grant T. Pennoyer

Maine State Legislature, [grant.pennoyer@legislature.maine.gov](mailto:grant.pennoyer@legislature.maine.gov)

Follow this and additional works at: [http://statedocs.maine.gov/ofpr\\_docs](http://statedocs.maine.gov/ofpr_docs)

---

### Recommended Citation

Maine State Legislature; Office of Fiscal and Program Review; and Pennoyer, Grant T., "Fiscal News, June 2007" (2007). *Office of Fiscal and Program Review*. Paper 79.

[http://statedocs.maine.gov/ofpr\\_docs/79](http://statedocs.maine.gov/ofpr_docs/79)

This Document is brought to you for free and open access by the Legislature Documents at Maine State Documents. It has been accepted for inclusion in Office of Fiscal and Program Review by an authorized administrator of Maine State Documents. For more information, please contact [statedocs@maine.gov](mailto:statedocs@maine.gov).



# FISCAL NEWS

MONTHLY NEWSLETTER OF THE OFFICE OF FISCAL AND PROGRAM REVIEW

JUNE 2007

## Volume 1, Number 6

Month In Review.....	1
General Fund Revenue Update .....	2
Highway Fund Revenue Update.....	2
Cash Balances Update.....	3
MaineCare Spending Update.....	4

### Attachments

- May 2007 Revenue  
Variance Report..... 5
- Comparison of Actual Fiscal  
Year-To-Date Revenue.....6

Questions or Comments regarding specific  
sections contact:

**Grant T. Pennoyer, Director**

**Office of Fiscal and  
Program Review  
5 State House Station  
Augusta, Maine 04333-0005  
Telephone: (207) 287-1635**

**grant.pennoyer@legislature.maine.gov**  
**[www.maine.gov/legis/ofpr/](http://www.maine.gov/legis/ofpr/)**

The Office of Fiscal and Program Review (OFPR) is a nonpartisan staff office of the Legislative Council providing budget, tax and general fiscal research and analysis for the Maine State Legislature.



## Month In Review

### The Legislature ADJOURNS!

The Legislature adjourned sine die (without day) only one day after the statutory adjournment date. About a month ago, adjournment so close to the statutory deadline seemed unlikely considering the number of the bills remaining in committee and some major policy issues to be resolved, including tax reform, Dirigo Health reform and a major initiative to stabilize highway and bridge improvement funding.

### Budget Bills Passed as Emergencies

Both the General Fund and Highway Fund Biennial Budget Bills were enacted with a bipartisan two-thirds majority. Using a new budget process and format, the General Fund Biennial Budget Bill was the largest bill ever produced by the Legislature. At 790 pages, the bill pushed the Legislature's new bill production system beyond its limits, resulting in some creative thinking in the wee hours of the morning to produce the Committee Amendment.

### Tax Reform Dealt a Set Back

The Taxation Committee's session-long effort for comprehensive tax reform reached the floor in the last 2 weeks of the session. The hard work of the committee was overwhelmed by a backlash against the sales tax base expansions and other tax increases necessary to offset the revenue loss and spending from the income tax reductions and property tax relief. There have been hints at a possible special session in the future to address comprehensive tax reform.

### Voters Approve Bonds

The bonds issues on the June 12<sup>th</sup> ballot, \$112,975,000 for highway, bridge and other transportation projects and \$18,300,000 for Waste Water Construction and Drinking Water Grants, were approved by the voters.

### Financial Picture Tight for End of this Fiscal Year

As the State approaches the end of this fiscal year on June 30th, the revenue and cash pictures remain "tight" for the General Fund and, particularly, the Highway Fund. This "tight" financial picture does not bode well for any significant funding for hospital payments accruing through the so-called "Cascade," the transfers of excess revenue and lapsed appropriation balances at the close of each year to various reserve accounts. Previously existing statutory transfers through the "Cascade" were preempted to transfer up to \$82 million for hospital payments. While an advanced look at June General Fund revenue is encouraging for a year-end positive variance, the amounts available for hospital payments will not come close to the \$82 million.



---

### ***General Fund Revenue Update***

---

**Total General Fund Revenue - FY 2007 (\$'s in Millions)**

	Budget	Actual	Var.	% Var.	Prior Year	% Growth
May	254.3	252.8	(1.5)	-0.6%	255.3	-1.0%
FYTD	2,547.4	2,540.9	(6.6)	-0.3%	2,476.6	2.6%

General Fund revenue was under budget by \$1.5 million in May. This increased the negative Fiscal Year-to-date (FYTD) variance to \$6.6 million (-0.3%). This variance reflects the \$17.8 million upward revision made to General Fund revenue in the special May 2007 revenue forecast. That special forecast recognized \$20.5 million of additional individual income tax revenue for the current fiscal year based on April income tax processing. This was the largest adjustment, but with this adjustment, April's positive variance disappeared.

The major reason for May's negative variance was weak taxable sales in April. Sales Tax receipts in May reflecting April sales were 5% below the same period last year. This is assumed to have been caused by the very late spring and the Patriots Day winter storm.

The hope is that some of the sales that would have occurred in April have just been deferred and will increase May sales. Data for May sales is not yet available, but a preliminary look at June sales tax receipts indicates that this appears to be the case and a substantial portion of the negative variance in the Sales and Use Tax category will be reversed.

Corporate Income Tax also appears to have rebounded in June and will end the year with a positive variance in excess of \$10 million for the fiscal year. Overall, June revenue should be enough ahead of budget to bring the General Fund to an overall positive variance for the fiscal year.

---

### ***Highway Fund Revenue Update***

---

**Total Highway Fund Revenue - FY 2007 (\$'s in Millions)**

	Budget	Actual	Var.	% Var.	Prior Year	% Growth
May	28.2	25.7	(2.6)	-9.1%	27.7	-7.2%
FYTD	279.0	276.6	(2.3)	-0.8%	276.4	0.1%

Highway Fund revenue was under budget by \$2.6 million in May, resulting in a negative variance of \$2.3 million (-0.8%) for the Fiscal Year-to-date (FYTD). Fuel Taxes line represents the largest negative variance, but most major Highway Fund revenue lines are below expectations.

Unlike the General Fund, a preliminary look at June Highway Fund revenue is not as encouraging. In fact, it looks like the negative variance will worsen when the fiscal year concludes. This may mean some last minute financial order adjustments to keep the Highway Fund in balance for this fiscal year. Similar end-of-year adjustments occurred in fiscal year 2006.



---

**Cash Balances Update**

---

<b>Summary of Treasurer's Cash Pool</b>	
<b>May 2007 Average Daily Balances</b>	
<b>Millions of \$'s</b>	
General Fund (GF) Total	\$25.2
General Fund (GF) Detail:	
Budget Stabilization Fund	\$14.0
Reserve for Operating Capital	\$40.6
Tax Anticipation Notes	\$0.0
Internal Borrowing	\$14.0
Other General Fund Cash	(\$143.4)
Other Spec. Rev. - Interest to GF	\$149.3
Other State Funds - Interest to GF	\$14.7
Highway Fund	\$30.9
Other Spec. Rev. - Retaining Interest	\$99.6
Other State Funds	\$245.7
Independent Agency Funds	\$113.5
<b>Total Cash Pool</b>	<b>\$678.9</b>

Average Cash Pool balance was \$678.9 million in May. This balance is lower than the average of the last 5 years of \$703.7 million, largely a result of the use of internal borrowing rather than relying on Tax Anticipation Notes. Trends of General Fund cash balances as measured by a 12-month moving average showed improvement through February 2007, but have since begun to trend downward. General Fund cash balances will be adversely affected in June, when the accounting entries are finally implemented to recognize the prepayment of the federal share of MaineCare interim recoveries (also see discussion under MaineCare Spending Update).

Highway Fund cash balances remain very low based on historical standards. The average balance of the last 5 years for May has been in the \$70 million range. Balances have recovered as a result of actively managing cash outlays, with highway and bridge improvement projects being delayed. The Administration has been looking into ways to address the cash flow needs of the Highway Fund and has agreed to allow the Highway Fund cash balances to go temporarily negative and to authorize internal borrowing from the cash pool.



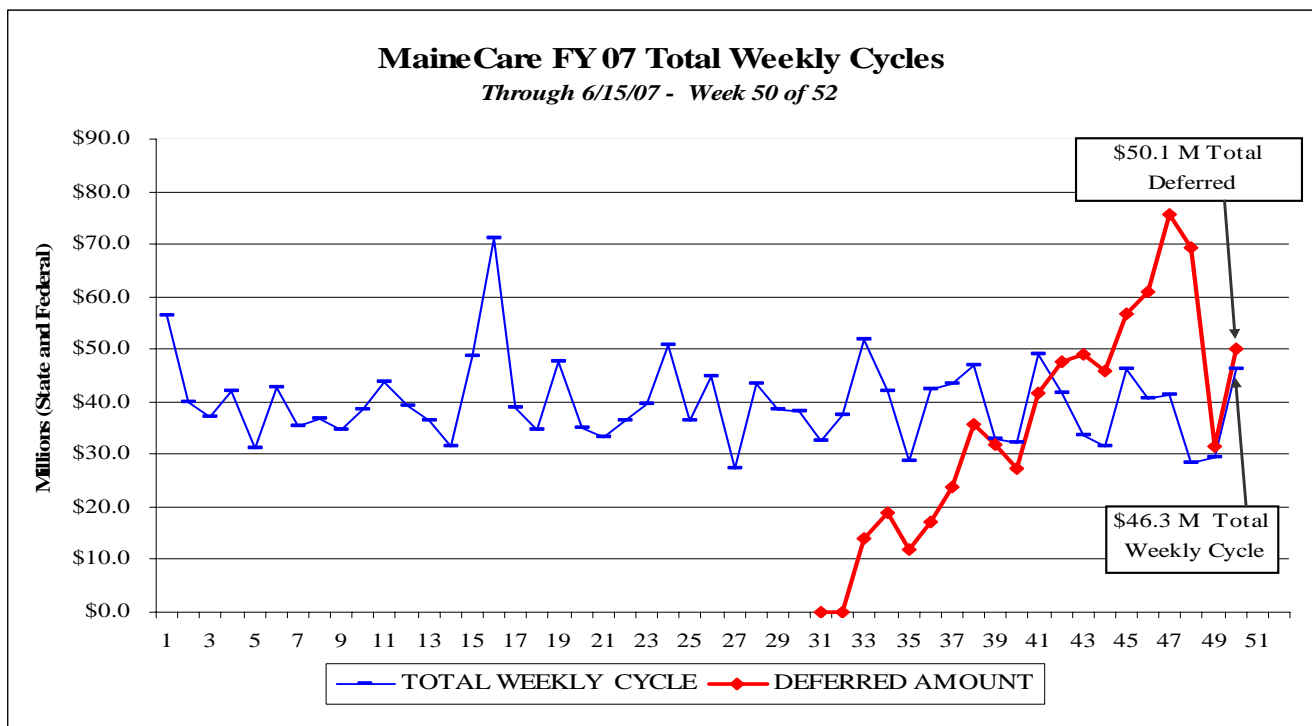
### MaineCare Spending Update

Through June 15, 2007, week 50 of 52, data tracking MaineCare spending and interim payment recoveries indicate the following:

- Cumulative interim payment recoveries for this fiscal year through week 50 have increased to slightly more than \$120 million (state and federal funds) but with two weeks remaining in the fiscal year it appears recoveries will fall short of the budget target of \$160 million. The budget impact of this shortfall has been mitigated by accounting entries made to reflect the pre-payment of the federal share of some of these recoveries (see April 2007 Fiscal News). Because the State was required to prepay the federal share of recoveries that providers had reached agreements to pay, the State can now retain all of the recovery when it is actually paid.
- Over the past few weeks, the cumulative deferral of MaineCare claims payments resulting from the cap on weekly cycles decreased from its high of \$75.8 million through week 47 to \$31.6 million through week 49 only to increase again to \$50.1 million through week 50 (see Chart below).

The decrease in the deferred payments was the result of almost \$25 million in additional funds being made available to the MaineCare program in fiscal year 2007 primarily: \$13 million in unspent state funds in the Drugs for the Elderly and Disabled program, \$6.2 million in MaineCare provider tax funding, and \$1.7 million appropriated in PL 2007, c. 240 (the 2008-2009 Biennial Budget). These additional state funds allowed the Department to pay \$37.8 million (state and federal funds) in deferred claims during week 49.

In their June 22<sup>nd</sup> weekly MaineCare briefing report provided to the Appropriations Committee, the Department of Health and Human Services indicated their latest estimate of the MaineCare General Fund carry forward to be \$8.7 million (state funds only), assuming use this fiscal year of the \$30 million contingency appropriation provided in PL 2007, c.1. This estimate is down from the Department's \$42.6 million net estimate (\$72.6 million minus the \$30 million contingency) reported on May 24<sup>th</sup> and is primarily the result of the additional funds made available during the 2008-2009 budget deliberations (see discussion above).



**General Fund and Highway Fund Revenue**  
**Fiscal Year Ending June 30, 2007**  
**Reflecting May 2007 RFC Adjustments AND PL 2007, c. 1 (Emergency FY07 Supplemental Budget Bill)**

**MAY 2007 REVENUE VARIANCE REPORT**

Revenue Line	May '07 Budget	May '07 Actual	May '07 Var.	FY07 YTD Budget	FY07 YTD Actual	FY07 YTD Variance	FY07 YTD Variance %	FY07 Budgeted Totals
<b>General Fund</b>								
Sales and Use Tax	72,515,016	67,536,410.92	(4,978,605.08)	801,918,338	795,461,202.60	(6,457,135.40)	-0.8%	974,740,367
Service Provider Tax	4,812,344	5,944,410.76	1,132,066.76	40,439,598	40,942,009.35	502,411.35	1.2%	48,911,765
Individual Income Tax	104,099,900	101,176,023.72	(2,923,876.28)	1,172,916,077	1,169,376,623.63	(3,539,453.37)	-0.3%	1,327,119,508
Corporate Income Tax	10,000,000	7,456,077.12	(2,543,922.88)	140,079,808	140,193,897.61	114,089.61	0.1%	172,078,755
Cigarette and Tobacco Tax	13,093,521	13,425,178.91	331,657.91	144,434,885	145,082,532.80	647,647.80	0.4%	164,502,981
Public Utilities Tax	18,629,578	18,171,425.00	(458,153.00)	16,891,746	16,317,029.00	(574,717.00)	-3.4%	16,891,746
Insurance Companies Tax	11,219,217	17,508,287.89	6,289,070.89	50,459,429	50,222,077.54	(237,351.46)	-0.5%	76,336,389
Estate Tax	3,505,457	4,274,239.66	768,782.66	46,393,624	46,254,278.01	(139,345.99)	-0.3%	52,465,498
Property Tax - Unorganized Territory	0	0.00	0.00	10,150,628	10,403,375.00	252,747.00	2.5%	11,597,312
Income from Investments	(265,523)	(339,414.83)	(73,891.83)	871,852	583,000.25	(288,851.75)	-33.1%	1,517,319
Transfer to Municipal Revenue Sharing	(9,762,790)	(9,287,759.05)	475,030.95	(109,923,047)	(109,444,660.41)	478,386.59	0.4%	(128,665,369)
Transfer from Lottery Commission	3,798,827	4,077,800.06	278,973.06	45,585,921	46,116,785.74	530,864.74	1.2%	50,334,250
Other Revenue	22,624,078	22,829,752.18	205,674.18	187,205,784	189,343,370.63	2,137,586.63	1.1%	219,380,952
<b>Totals</b>	<b>254,269,625</b>	<b>252,772,432.34</b>	<b>(1,497,192.66)</b>	<b>2,547,424,643</b>	<b>2,540,851,521.75</b>	<b>(6,573,121.25)</b>	<b>-0.3%</b>	<b>2,987,211,473</b>
<b>Highway Fund</b>								
Fuel Taxes	17,004,500	16,379,438.53	(625,061.47)	186,026,436	184,711,916.09	(1,314,519.91)	-0.7%	227,484,941
Motor Vehicle Registration and Fees	10,001,838	8,098,857.89	(1,902,980.11)	77,437,405	76,785,930.67	(651,474.33)	-0.8%	86,476,317
Inspection Fees	411,056	369,829.95	(41,226.05)	3,977,781	3,946,804.85	(30,976.15)	-0.8%	4,379,756
Fines	182,461	105,932.65	(76,528.35)	1,834,392	1,535,951.28	(298,440.72)	-16.3%	2,018,239
Income from Investments	60,000	126,787.36	66,787.36	736,643	826,786.24	90,143.24	12.2%	795,000
Other Revenue	578,521	597,685.02	19,164.02	8,941,966	8,825,560.16	(116,405.84)	-1.3%	9,603,076
<b>Totals</b>	<b>28,238,376</b>	<b>25,678,531.40</b>	<b>(2,559,844.60)</b>	<b>278,954,623</b>	<b>276,632,949.29</b>	<b>(2,321,673.71)</b>	<b>-0.8%</b>	<b>330,757,329</b>

## Comparison of Actual Fiscal Year-to-Date Revenue Through May of Each Fiscal Year

REVENUE CATEGORY	FY 2003	% Chg	FY 2004	% Chg	FY 2005	% Chg	FY 2006	% Chg	FY 2007	% Chg
<b>GENERAL FUND</b>										
Sales and Use Tax	\$699,387,794.65	2.6%	\$752,587,905.47	7.6%	\$735,784,841.31	2.6%	\$776,695,912.29	5.6%	\$795,461,202.60	2.4%
Service Provider Tax	\$0.00	N/A	\$0.00	N/A	\$36,686,202.81	N/A	\$39,023,058.52	6.4%	\$40,942,009.35	4.9%
Individual Income Tax	\$915,737,281.19	-0.5%	\$993,970,957.64	8.5%	\$1,123,679,264.77	13.0%	\$1,187,362,162.98	5.7%	\$1,279,080,375.97	7.7%
Individual Income Tax (Circuitbreaker)	\$0.00	N/A	\$0.00	N/A	(\$26,018,842.00)	N/A	(\$41,388,925.85)	-59.1%	(\$43,178,569.86)	-4.3%
Individual Income Tax (BETR)	\$0.00	N/A	\$0.00	N/A	\$0.00	N/A	(\$67,061,726.06)	N/A	(\$66,525,182.48)	0.8%
Corporate Income Tax	\$71,195,729.51	16.5%	\$89,173,112.52	25.3%	\$104,551,137.84	17.2%	\$161,328,700.54	54.3%	\$140,193,897.61	-13.1%
Cigarette and Tobacco Tax	\$91,289,813.76	2.7%	\$86,690,962.93	-5.0%	\$87,334,445.85	0.7%	\$139,947,609.91	60.2%	\$145,082,532.80	3.7%
Public Utilities Tax	\$29,159,650.50	-4.3%	\$27,990,139.69	-4.0%	\$25,414,127.56	-9.2%	\$20,627,036.49	-18.8%	\$16,317,029.00	-20.9%
Insurance Companies Tax	\$51,191,565.93	30.7%	\$50,438,779.79	-1.5%	\$50,024,352.32	-0.8%	\$51,917,486.60	3.8%	\$50,222,077.54	-3.3%
Estate Tax	\$23,991,458.71	41.1%	\$21,942,083.20	-8.5%	\$25,330,612.55	15.4%	\$66,070,425.00	160.8%	\$46,254,278.01	-30.0%
Property Tax - Unorganized Territory	\$9,300,585.00	5.4%	\$8,937,092.00	-3.9%	\$9,638,377.00	7.8%	\$9,560,399.00	-0.8%	\$10,403,375.00	8.8%
Income from Investments	\$2,024,130.42	-40.3%	\$1,699,537.51	-16.0%	\$4,221,872.98	148.4%	\$5,476,072.09	29.7%	\$583,000.25	-89.4%
Revenue Sharing Transfers	(\$86,002,361.06)	-1.4%	(\$93,622,330.78)	-8.9%	(\$100,708,812.81)	-7.6%	(\$104,853,918.30)	-4.1%	(\$109,444,660.41)	-4.4%
Liquor Transfers	\$23,767,245.15	4.1%	\$100,114,969.87	321.2%	\$50,158,495.87	-49.9%	\$2,557,443.62	-94.9%	\$4,412,264.00	72.5%
Lottery Transfers	\$36,028,124.61	-0.4%	\$37,917,897.75	5.2%	\$45,696,533.75	20.5%	\$47,395,090.59	3.7%	\$46,116,785.74	-2.7%
Other Revenue	\$143,608,939.60	1.4%	\$180,412,077.98	25.6%	\$176,812,061.44	-2.0%	\$181,919,092.35	2.9%	\$184,931,106.63	1.7%
<b>TOTAL GENERAL FUND REVENUE</b>	<b>\$2,010,679,957.97</b>	<b>2.2%</b>	<b>\$2,258,253,185.57</b>	<b>12.3%</b>	<b>\$2,348,604,671.24</b>	<b>4.0%</b>	<b>\$2,476,575,919.77</b>	<b>5.4%</b>	<b>\$2,540,851,521.75</b>	<b>2.6%</b>
<b>HIGHWAY FUND</b>										
Fuel Taxes	\$152,533,494.24	2.0%	\$174,603,544.92	14.5%	\$181,227,818.21	3.8%	\$181,884,807.88	0.4%	\$184,711,916.09	1.6%
Motor Vehicle Registration and Fees	\$73,648,668.28	-1.5%	\$73,247,218.06	-0.5%	\$75,207,713.68	2.7%	\$78,800,336.25	4.8%	\$76,785,930.67	-2.6%
Inspection Fees	\$3,734,643.68	25.2%	\$4,175,280.63	11.8%	\$3,819,562.58	-8.5%	\$3,936,452.92	3.1%	\$3,946,804.85	0.3%
Fines	\$2,406,860.46	37.6%	\$1,748,011.49	-27.4%	\$1,373,064.29	-21.4%	\$1,651,258.11	20.3%	\$1,535,951.28	-7.0%
Income from Investments	\$1,183,727.25	-52.7%	\$560,361.32	-52.7%	\$1,093,274.98	95.1%	\$1,440,493.29	31.8%	\$826,786.24	-42.6%
Other Revenue	\$8,302,987.42	59.9%	\$8,578,483.15	3.3%	\$8,109,328.43	-5.5%	\$8,673,444.45	7.0%	\$8,825,560.16	1.8%
<b>TOTAL HIGHWAY FUND REVENUE</b>	<b>\$241,810,381.33</b>	<b>2.1%</b>	<b>\$262,912,899.57</b>	<b>8.7%</b>	<b>\$270,830,762.17</b>	<b>3.0%</b>	<b>\$276,386,792.90</b>	<b>2.1%</b>	<b>\$276,632,949.29</b>	<b>0.1%</b>

Adjusted for Service Provider Tax Split